

DOWNTOWN REVITALIZATION INCENTIVE GRANTS PROGRAM

Adopted by City Council November 16, 2021

Introduction

The City of Salisbury recognizes that the economic productivity of Downtown hinges upon a built environment capable of supporting business and residential growth, and that sustaining this growth requires significant commitment by private investors in building rehabilitation and construction. Aging buildings, fire suppression requirements and outdated electrical systems are just a few of the challenges of urban revitalization. The incentive grants offered by the City will help defray some of these costs in order to stimulate additional private investment in downtown properties.

The incentive grants are designed to promote both new development and historic rehabilitation, with an emphasis on those projects that create new residential opportunities. By increasing the number of people living downtown, these incentives will help expand the market base for restaurants, retail, commercial activities, and special events, thereby benefitting existing merchants and attracting new business. By facilitating rehabilitation of existing buildings, the program will aid in the preservation of our historic urban fabric and character. These incentives also promote the use and expansion of back-alley fire line "loops" capable of serving multiple buildings which will help reduce the cost for other buildings to connect in the future. This cost savings will encourage the use of fire suppression systems, thereby reducing the chances of a catastrophic fire impacting multiple buildings, offering greater protection of life and property, and minimizing the chances of a devastating loss of the historic resources that define the central business district.

The success of downtown Salisbury can be attributed in large part to a history of public-private partnerships involving grants and infrastructure offered by the City, often in conjunction with state and federal historic tax credits, transportation grants and similar programs. As these state and federal means of support have been eliminated or cut back in recent years, the level of participation by the City is more critical than ever. As developers begin to take advantage of the incentive grants and new projects come on-line, the City's return on these investments will be realized through growth in the tax base, business activity and tourism with net economic benefits that will far exceed the amount of incentives granted.

Program Overview

The Downtown Revitalization Incentives consists of three competitive matching sub-grant programs targeting different project activities. More than one grant type may be layered in a single project, provided that eligibility requirements established for each grant are met.

Building Rehabilitation Grant (Maximum Award: \$50,000)
 Promotes the stabilization, preservation and reuse of older, primarily historic buildings.



- Residential Production Grant (Maximum Award: \$100,000)
 Promotes development of new residences, including lofts, apartments and condominiums, in building rehabilitation and new construction projects.
- Fire Suppression Grant (Maximum Award: \$25,000)
 Encourages the use and expansion of back-alley fire lines capable of serving multiple buildings. For projects that already have existing access to a fire line, the grant may be used to help offset the costs of a building sprinkler system.

Applications will be accepted annually and evaluated by a Review Committee according to criteria listed in the Scoring Rubrics found on pages 9, 11, and 13. The Review Committee will make grant award recommendations to the City Council based the relative scores and on and the availability of funding.

Payment of the grant(s) are offered on a reimbursement basis in a single installment upon completion of the approved scope of work and receipt of the final **Certificate of Occupancy** for the project.

Available Funding

Downtown Revitalization Incentive Grants will be awarded by the Salisbury City Council from the General Revenue fund (Building Rehabilitation and Residential Production) or the Water and Sewer fund (Fire Suppression). Funding amounts will vary from year to year based on budget.

Incentive Grants – At a Glance

The table below describes how to calculate the *maximum* eligible award offered in each sub-grant program. Actual awarded amounts will be based on availability of funds and the number of applications received. If awarded, the reimbursement amount is based on proof of expenditures for eligible expenses.

Grant Program	Method of Calculation	Minimum Cost Threshold*	Maximum Award	Overall Eligibility
Building Rehabilitation Grant	25% of eligible costs	Eligible costs must exceed \$100,000	\$50,000	 ✓ Permanent improvements to existing buildings greater than 30 years old ✓ Eligible improvement costs include building shell, systems and exterior facade
Residential Production Grant	\$10,000 per residential unit created or substantially upgraded	Project costs must exceed \$75 per gross sq. ft. of residential space	\$100,000	 ✓ Available for new construction or existing buildings ✓ Creation of new residences, or renovations to existing, abandoned units that have been unoccupied for more than ten (10) years
Fire Suppression Grant	50% of back alley fire loop expansion, or		\$25,000	 ✓ Available for new construction or existing buildings ✓ Installation or expansion of back-alley fire loop capable of serving multiple



\$2 per sq. ft.	buildings
\$2 per sq. ft. for sprinkler system install (if back alley loop already exists and cannot be extended to	buildings ✓ For projects with existing access to a fire loop, grant may be used for installation of a building sprinkler system
from another property)	

^{*}Minimum expenses prior to the grant

General Provisions

The following general provisions and application process apply to all grants.

See additional grant provisions and eligibility requirements beginning on p.7.

Eligibility Requirements

- Eligible properties will be located within the Salisbury Downtown Mixed Use District (DMX).
- For purposes of project eligibility for separate grant awards, a "building" or a "project" will be defined as a stand-alone structure or a building separated by party walls or parcel lines.
- Applicants shall be or have the endorsement of the legal owner of the property (appropriate documentation required). If a purchase is pending, proof of a sale contract to the applicant or Option to Purchase are acceptable.

Application Process

- 1. **Pre-Application.** Schedule a meeting with City staff to confirm eligibility prior to submitting a formal grant application.
- 2. **Prepare an Application**. A complete application will include the following:
 - ✓ A completed application form;
 - ✓ Narrative description of construction or rehabilitation work to be performed, including the proposed uses;
 - ✓ Any design schematics, site plans, drawings or renderings including floor plan indicating gross sq. ft. of residential space and sq. ft. of area protected by fire sprinkler system, if applicable;
 - ✓ Photographs depicting the current condition of the building or site;
 - ✓ Estimated timetable for completion of work, including permitting and construction schedule;
 - ✓ Itemized estimate of project costs prepared by a contractor or design professional;
 - ✓ Materials schedules for residential units;
 - ✓ Proof of ownership, or if sale is pending, Contract for Sale to applicant or Option to Purchase;



- ✓ Proof of endorsement by the legal owner, if the applicant is not the owner
- 3. Application Review. Applications will be reviewed by appropriate city staff regarding consistency with all zoning, occupancy and use requirements. A Review Committee will evaluate applications according to a Scoring Rubric and form recommendations for the City Council. The Review Committee will consist of seven members and be reflective of the demographic composition of the City. Members will include:
 - ✓ Local architect, engineer, contractor (who is not involved in any application)
 - ✓ Downtown business owner or resident (who is not involved in any application)
 - ✓ Member of the Chamber of Commerce's Minority Business Council
 - ✓ Member of DSI Economic Vitality Committee
 - ✓ Member of Historic Preservation Commission
 - ✓ Finance Department staff
 - ✓ Salisbury Rowan Utilities staff
- 4. **Awards Determined.** Once the Review Committee has formed recommendations, the City Council will hold a public hearing to receive information and public comment, prior to approving, approving with conditions/modifications, or denying the request. The City shall have a notice of the public hearing published at least ten (10) days prior to the hearing.

5. Next Steps:

✓ **Contract.** Following City Council authorization, City Staff will prepare a contract document that must be signed within 90 days.

✓ Milestones and Deadlines

- Applicant must show progress within six (6) months of the grant award. Progress can include non-construction development and permitting activity, such as the finalization of construction drawings or issuance of zoning permits. Construction of projects must begin within twelve (12) months of the grant award. Failure to do so may result in forfeiture of grant funds.
- All projects must be completed within two (2) years unless an alternative timeline is approved with the initial application. Extensions to the project timeline may be approved by Salisbury City Council
- ✓ **Site Visits**. Periodically during construction and again upon completion, the improvements will be inspected by the appropriate city staff for determination of compliance as submitted in the application.
- ✓ Close Out and Reimbursement. Grantee shall submit paid invoices and documentation necessary to demonstrate financial expenditures. Reimbursement will be made in a single installment upon satisfactory completion of the approved scope of work and receipt of the final Certificate of Occupancy for the project.

Downtown Revitalization Incentive – Program Guidelines



Grant Schedule

Deadlines for grant applications will be published on the City's website annually; however, will follow this general schedule:

- October The City will issue a "Call for Applications" using mailed notices and social media
- December Application Deadline and Review Committee Review
- January City Council Public Hearing and Notice of Award
- July Six month substantial progress milestone

Additional Notifications

- 1. Applicants should coordinate with Downtown Salisbury, Inc., and the Economic Development Commission in the due diligence phase of the project and in the preparation of the grant request from the City of Salisbury.
- 2. Applicants must comply with all local, state and federal regulations regarding construction, occupancy, zoning and use.
- 3. Applicant and the property owner must not owe any back taxes, civil penalties, or delinquent fees. During the grant period, the grantee shall remain current with all real and personal property taxes, along with other fees, taxes, utility bills or other assessments to remain eligible for the grant.
- 4. Applicants must certify to make good faith efforts to reach out to minority/women-owned businesses enterprises to provide architecture, engineering or general contracting services.
- 5. Projects receiving grants shall meet high quality building design standards and remain flexible for future uses without significant structural changes in order to sustain their value to the community when the initial use changes.
- 6. Any substantial deviation from the approved plans must be reviewed and approved, in writing, by the City Manager, before it can be undertaken. Any substantial deviation from the approved scope of work shall cause the grant amount to be recalculated to reflect the revised scope of work.
 - o For example, the Residential Production Incentive Grant offers \$7,500 per residential unit created or substantially upgraded. If City Council awards a \$30,000 Residential Production grant to create four (4) new residential units (4 units x \$7,500.00 = \$30,000.00), but the scope of work changes such that only two (2) units are created, the grant shall be recalculated and reduced to \$15,000 (2 units x \$7,500 = \$15,000.00). However, in no circumstance shall the recalculated award amount exceed the maximum award approved by City Council. The City reserves the right to deny payment if the completed work is not consistent with the content of the original application.
- 7. Grants are issued at the sole discretion of the City Council. No party or applicant shall be entitled to receive grant funds. Funding decisions are made at the discretion of the granting authority and the program may be discontinued at any time and without notification.
- 8. Projects considered under these guidelines shall be viewed independently of any project previously considered, awarded or rejected by the City.



- 9. Grants are not transferrable and may not be otherwise conveyed to another party without the consent of the City.
- 10. Applicants are encouraged to take advantage of state and Federal historic tax credits, Main Street Solutions grants from the NC Department of Commerce, and other programs that may be available.
- 11. Applicants are eligible to apply for the Innes Street Improvement Grant or Municipal Service District Incentive Grant. These are competitive grant programs offered by the Community Appearance Commission when funds are available. Separate guidelines and eligibility requirements apply to these grant programs.

Overall Quality Standards and Preferred Amenities (New Construction or Rehabilitation)

Projects will utilize the following or better finishes, materials and amenities. These guidelines are not meant to dictate style, but rather to indicate a high level of quality and finish. Other finishes not listed here may be considered as long as they are of a similar level of quality and durability. The use of sustainable materials and construction methods is both encouraged and preferred.

Examples of preferred amenities and finishes include, but are not limited to:

- Walls/Interior: Interior should be of a "finished" quality. Materials should be exposed brick, finished
 plaster or finished sheetrock with baseboard, crown and door moldings as appropriate to the design of
 the space.
- **Floors:** refinished or new installed hardwoods, cork, bamboo, laminates, floating or engineered floors, polished, stained or sealed concrete, ceramic tile or stone in baths and kitchens.
- Countertops: Solid surface, stone, granite, sealed concrete, stainless steel, ceramic tile or highpressure laminate.
- Built-in appliances should be new and Energy Star-rated.
- Windows: Windows should be repaired whenever possible and efforts made to make them as energyefficient as possible.
- Hardware: Faucets, cabinet hardware and light fixtures should be either of new and higher quality or be refurbished vintage fixtures of higher quality.
- Building: Secured entrances and off-street parking for residents.

Rehabilitation Standards

Projects located within the Local Historic District involving exterior work or rehabilitation must receive a Certificate of Appropriateness from the Historic Preservation Commission.

Interior rehabilitation should reflect a contemporary solution that respects the historic and architectural integrity of the building. Significant architectural features or details that give an indication of the building's original appearance, its history or previous uses should be preserved and reused whenever possible.

Examples of features that should be preserved include, but are not limited to:

- Ceiling heights and materials
- Windows, doors, casings and details



- Stairways and railings
- Flooring and wall treatments

Building Rehabilitation Grant

Overview

Intended to promote the stabilization, preservation and reuse of existing or historic buildings, the Building Rehabilitation Grant helps offset the costs of substantial repairs, modernization and upgrades to meet current business and living needs.

Goals of the Program

- Enhance, upgrade and stabilize vacant or underutilized properties;
- Promote rehabilitation and preservation of historic buildings;
- Encourage private investment that enhances the character and authenticity of the downtown through the reuse of existing buildings;
- Provide desirable tenant space for new and existing retail, restaurants and commercial businesses to locate in the downtown;
- Promote redevelopment and reuse of upper floors for apartments, lofts, condominiums, offices and other compatible uses;
- Create jobs, improve the tax base and increase tourism.

Maximum Grant Amount

- Standard grants shall reimburse the applicant a <u>maximum</u> of \$50,000 or 25% of eligible project costs (whichever is less) for permanent improvements. See list of eligible improvement costs below;
- The rehabilitation must be substantial. The minimum capital investment threshold to qualify for consideration for this grant shall be no less than \$100,000, prior to the grant.

Examples:

- \$200,000 eligible costs X 0.25 = \$50,000 maximum eligible grant amount
- \$1,000,000 eligible costs X 0.25 = \$250,000 (note, the maximum eligible grant is still \$50,000)



Qualifying for the Grant

- The property must be located in the Salisbury Downtown Mixed Use District (DMX);
- New construction does not qualify, nor do buildings constructed in the last 30 years.
- The building may be intended for a single use, such as restaurant or retail, or may be a mixed use project involving any permitted uses in the DMX district;

Eligible Improvement Costs

For the purposes of calculating the grant amount, <u>permanent</u> improvements to the building shell, building systems and exterior façade are eligible.

Examples of eligible improvements include, but are not limited to, the following:

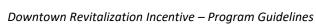
- ✓ Window repair or replacement
- ✓ Floors and flooring
- √ Façade repairs/rehabilitation
- ✓ Improvements to structural integrity
- ✓ Roof repairs or replacement
- ✓ Storefront repairs or replacement
- ✓ Interior walls, doors and trim details
- ✓ ADA improvements
- ✓ Building systems HVAC, plumbing, electrical
- ✓ Energy efficiency improvements

Expenses that **do not** qualify include, but are not limited to:

- ✓ The cost of acquisition of the building or personal property;
- ✓ Kitchen equipment including internal grease traps
- ✓ Interest and taxes;
- ✓ Paving and landscaping costs;
- ✓ Water, sewer and fire suppression infrastructure external to the building;
- ✓ Design fees; Realtor's fees; permitting fees;
- ✓ Sales and marketing.

Scoring Rubric

Applications will be given a preliminary score by the Review Committee according to the following criteria. The scores will help determine how well the project meets the grant's overall objectives, relative to other projects submitted. Additional considerations, such as the project's overall economic impact may be considered by the Review Committee in making recommendations to City Council. Substantial deviations from what is committed to in the application related to the scoring criteria may disqualify the project from funding."





SCORING CRITERIA	POINTS
Impact and Visibility	
Primary entrance on 100 N. Main, 100 S. Main, 100 East Innes, 100 West Innes	5
Primary entrance on 200 North Main, 200 South Main, and 200 East Innes	3
Historic Status	
Designated Local Historic Landmark	10
Individually listed on the National Register of Historic Places	5
Identified as Contributing to a National Register Historic District	3
Fire Protection	
Projects that commit to expanding the back-alley fire loop system	5 x the # of buildings that could be served by the extension
Buildings that commit to installing new sprinkler system	5
Street Level Activation	
Restaurant spaces created/substantially rehabilitated	5 per
Retail or entertainment spaces created or substantially rehabilitated	1 per
Publicly Visible Art	
Sculptures, murals or other permanent and visible art installations	3 per installation
Green Building	
Green building element installed (examples: solar panels, white roof, green roof, cisterns)	3 per element
Grant to Investment Ratio (maximum eligible grant/total investment)	
Between .20 to .24	1
Between .15 to .19	2
Between .10 to .14	3
Between .05 to .09	4
	5
Between .01 to .04	9

Residential Production Grant

Overview

Intended to promote downtown living and increase the residential capacity of downtown, the Residential Production Grant will encourage property owners to consider reuse of their upper floors for lofts, apartments or condominiums. Investors in new construction or building rehabilitation projects that create new residential units, or renovate abandoned units, will be eligible for a substantial rebate on development costs.

Goals of the Program

- Promote renovation and reuse of upper floors in existing or historic buildings for residential use;
- Encourage new residential construction on suitable vacant lots;
- Increase downtown living in order to expand the market base for restaurants and retail establishments, and to attract new businesses to the downtown;
- Increase the tax base.

Maximum Grant Amount

- The maximum reimbursement will be at a rate of \$10,000 per residential unit created or substantially improved.
- Total maximum grant shall not exceed \$100,000
- Minimum development costs must exceed \$75 per gross sq. ft. of residential space.

Example:

2 units @ \$10,000 grant per unit = \$20,000 maximum grant award

Example:

14 units @ \$10,000 grant per unit = \$140,000 (In this case, \$100,000 is the maximum grant award)

Qualifying for the Grant

- The property must be located in the Salisbury Downtown Mixed Use District (DMX);
- New construction or building rehabilitation projects are eligible;
- Eligible projects will include residential as a single use, or as part of mixed use development.
- Eligible projects will include either market rate or affordable housing for long-term lease or purchase. Short term rentals, such as Airbnb, are not the intent.
- Residential Production Grants are not intended for home improvement projects. Projects intended to restore, revitalize, or repair private individuals' residences are ineligible. If upper story residential units



are created as part of the project, the applicant may reside in one of the units if at least one more unit is created for separate lease/purchase.

Eligible Improvements

- Grant reimbursement rate is factored on the number of new residential units created or substantially upgraded at a flat rate per unit;
- Eligible projects may include renovations to existing, abandoned units that have been unoccupied for more than ten (10) years. Renovations must be substantial to the extent that the completed units are of a finished quality and ready for occupancy;
- All new or renovated units must be consistent with the overall quality standards, preferred amenities and interior rehabilitation standards listed under <u>General Provisions</u> (pages 3-6).

Scoring Rubric

Applications will be given a preliminary score by the Review Committee according to the following criteria. The scores will help determine how well the project meets the grant's overall objectives, relative to other projects submitted. Additional considerations, such as the project's overall economic impact may be considered by the Review Committee in making recommendations to City Council. Substantial deviations from what is committed to in the application related to the scoring criteria may disqualify the project from funding.

SCORING CRITERIA	POINTS
# of units	
Upper story units	2 per
Ground floor units	1 per
Affordability	
Units of housing offered at a rent affordable to a household earning 80% of the Area Median Income or less for an 8-year period. ¹ , ²	10 per
Fire Protection	
Projects that commit to expanding the back-alley fire loop system	5 x the # of buildings that could be served by the extension
Buildings that commit to installing new sprinkler system	5

¹Income limits are published annually by the U.S. Department of Housing and Urban Development (HUD). Income limits are calculated for different levels of Area Median Income (AMI) for geographic areas across the country by household size. Salisbury falls in the Rowan County Metropolitan Statistical Area for AMI calculations.

² Income restrictions will be required to be filed with the Register of Deeds. Documentation reporting annual income of residents and retail documents must be furnished to the City of Salisbury on an annual basis. Failure to comply will result in zoning enforcement action.

Fire Suppression Grant

Overview

The most effective fire loss prevention and reduction measure with respect to both life and property is the installation and maintenance of fire sprinklers. In many cases the initial and largest expense is installation of the fire line external to the building. The purpose of the Fire Suppression Grant is to encourage the use and expansion of back-alley fire line "loops" which serve a public purpose by improving access to fire lines for adjacent buildings. Availability of fire lines reduces connection costs for other buildings to be served by sprinkler systems and promotes the use of sprinklers in projects that may not otherwise require them.

Only for projects with existing access to a public fire line, the grant may be used to offset a portion of the costs of a building sprinkler system.

Goals of the Program

- Encourage the expansion and use of priority back-alley fire lines in the Primary Fire District identified by the Salisbury-Rowan Utilities and Salisbury Fire Department capable of serving multiple buildings (see attached map);
- Guard against loss of life and property through greater use of building sprinkler systems, and minimize the chances of a catastrophic fire spreading and impacting multiple properties;
- Improve life safety and reduce property damage as a result of immediate fire suppression and control, giving occupants more time to escape while the fire department responds;
- Aid in the preservation of historic urban fabric and character;
- Result in savings for property owners on insurance premiums, tax deductions, life safety code compliance, liability avoidance and continuous business operations.

Impact of Automatic Sprinkler Systems on Building and Safety Code Requirements

Because of the effectiveness of automatic sprinklers in controlling fires, building and fire codes relax certain requirements in fully-sprinkled buildings, resulting in positive offsetting benefits:

- Reduced structural fire resistance requirements;
- Greater height and area allowances;
- Increased allowable egress travel distances;
- More latitude for flame-spread rating of interior finishes;
- Acceptable floor opening configurations.

Maximum Grant Amount

- Standard grants shall reimburse the applicant a <u>maximum</u> of \$25,000 or 50% of eligible project costs (whichever is less) related to the installation or expansion of a back-alley fire line;
- For projects with already existing access to a fire line, the grant may be used for installation of a building sprinkler system at a rate of \$2 per sq. ft. of building area protected, not exceeding the maximum grant amount of \$25,000.

Example: Fire line extension

\$32,000 eligible costs X 0.5 = \$16,000 grant amount

Example: Building sprinkler system

o \$2 X 18,000 sq. ft. of area protected = \$36,000

(In this case, \$25,000 would be the maximum grant.)

Qualifying for the Grant

- The property must be located in the Salisbury Downtown Mixed Use District (DMX);
- New construction or building rehabilitation projects are eligible;
- The project involves installation or expansion of a back-alley fire line that has the potential to serve other buildings, with an emphasis on expansion of fire lines in the Primary Fire District which have been identified as high priority by Salisbury-Rowan Utilities and Salisbury Fire Department;
- For projects with existing access to a fire line, the grant may be used for installation of a building sprinkler system;

Eligible Improvements and Technical Specifications

- Engineering and installation costs are eligible;
- Project must achieve compliance with all applicable building and construction codes, including the NC Building Code Council (NCBCC) specifications and the use of NC Plumber/Building Code-approved sprinkler devices and systems;
- 6" or larger fire lines through back alleys within the DMX district;
- Fire hydrants, external RPZs or double-check devices (non-foam or non-pressurized);

Scoring Rubric

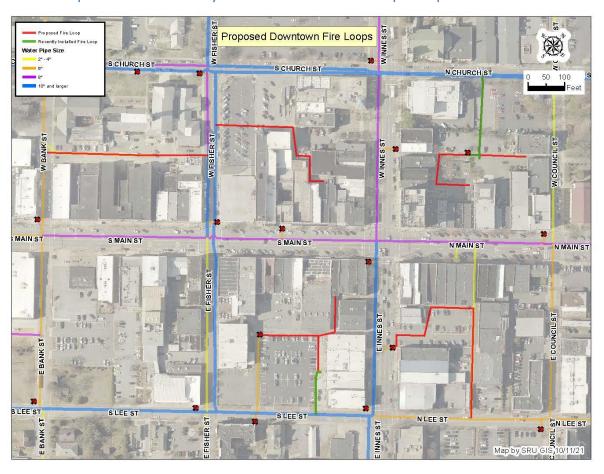
Applications will be given a preliminary score by the Review Committee according to the following criteria. The scores will help determine how well the project meets the grant's overall objectives, relative to other projects submitted. Additional considerations, such as the project's overall economic impact, may be considered by the Review Committee in making recommendations to City Council. Substantial deviations from what is committed to in the application related to the scoring criteria may disqualify the project from funding.

SCORING CRITERIA	POINTS
Public Purpose	
Projects that commit to expanding the back-alley fire loop system	5 x the # of
	buildings
	that could
	be served



	by the
	extension
Buildings that commit to installing new sprinkler system	5
Historic Preservation	
Designated Local Historic Landmark	10
Individually listed on the National Register of Historic Places	5
Identified as Contributing to a National Register Historic District	3

2021 Proposed Back Alley Downtown Fire Loop Map



Sample Project Budgets

The following examples illustrate how multiple grants can be layered in a project.

EXAMPLE 1: Building Rehabilitation – Upper floor residential conversion

Assumptions:

- Total Rehab Costs \$1,200,000
- 6 new residential units
- \$32,000 back-alley fire line expansion

Grant Program	Maximur	n Eligible Award
Building Rehab	\$50,000	(25% of costs / \$50,000 max)
Residential Prod.	\$60,000	(\$10,000 per unit * 6 units)
Fire Suppression	\$16,000	(50% of fire line costs)
Total City Incentives	\$126,000	

EXAMPLE 2: Building Rehabilitation – Upper floor residential conversion

Assumptions:

- Total Rehab Costs \$15,000,000
- 40 new residential units
- Has access to existing fire line applying grant to sprinkler system with 40,000 sq. ft. of building area protected

Grant Program	Maximum Eligible Award
Building Rehab	\$ 50,000 (25% of costs / \$50,000 max. grant)
Residential Prod.	\$ 100,000 (\$10,000 per unit * 40 units / \$100,000 max. grant)
Fire Suppression	\$ 25,000 (\$2 per sq. ft. of area covered/ \$25,000 max grant)
Total City Incentives	\$175,000